

# Guardian Holdings Limited

## Consolidated Financial Statements

### Third Quarter Results to 30 September, 2018

Expressed in Trinidad and Tobago Dollars

#### CHAIRMAN'S REPORT

Dear Shareholders,

Group Profit attributable to equity shareholders for the nine months ended 30 September 2018 amounted to \$371 million which represents a significant increase of \$117 million or 46% over the corresponding period last year. In keeping with previous quarters, this increase was driven by our insurance underwriting activities as the Life, Health and Pension division continues to grow through new business and persistency and the Property and Casualty business has been spared, to date, major catastrophic events in comparison to last year.

Global equity markets improved during the quarter and this allowed for the reversal of some of the previously booked unrealized losses. However, markets remain depressed and significantly distant from the exceptional performance of 2017. Nevertheless, and significantly, the actual cash returns from realized gains and investment income have improved.

The Group recorded Net impairment losses on financial assets of \$15 million (2017: Nil) as prescribed by IFRS 9, and this is further explained below. Operating expenses have increased by 9% due to various initiatives throughout the Group which are geared either towards our future growth or cost reduction.

As discussed in the previous quarter's Report the Group adopted two new financial reporting standards effective 1 January 2018: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. Shareholders are encouraged to refer to the Group's first quarter publications for more information on the implementation of IFRS 9 and the financial impact to the Group. The effect of the implementation of IFRS 9 on Group Total Equity is set out in the Summary Consolidated Statement of Changes in Equity. I must re-emphasize that this diminution in capital results, in the main, from compliance with the new conservative valuation and impairment policies resulting from the application of IFRS 9 and will not recur. Notwithstanding this reality, all regulatory capital requirements have been exceeded.

We look with cautious optimism to our customarily strong fourth quarter.



**Henry Peter Ganteaume**  
Deputy Chairman, GH  
November 15, 2018

#### SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 9-Months Sep 2018 TT\$'000	Unaudited 9-Months Sep 2017 TT\$'000	Unaudited 3-Months Sep 2018 TT\$'000	Unaudited 3-Months Sep 2017 TT\$'000	Audited 12-Months Dec 2017 TT\$'000
Gross written premiums	4,551,171	4,148,816	1,251,209	1,244,286	5,472,644
Net written premiums	3,168,280	2,989,912	951,601	985,564	3,926,948
Net income/(loss) from insurance underwriting activities	499,758	196,743	110,124	(13,752)	403,099
Net income from investing activities	812,692	889,212	362,771	324,212	1,190,957
Net income from brokerage activities	23,094	11,590	5,642	4,112	15,733
<b>Net income from all activities</b>	<b>1,335,544</b>	<b>1,097,545</b>	<b>478,537</b>	<b>314,572</b>	<b>1,609,789</b>
Net impairment losses on financial assets	(15,004)	-	(8,818)	-	-
Operating expenses	(748,945)	(689,228)	(255,290)	(224,987)	(979,327)
Finance charges	(101,445)	(96,416)	(32,769)	(32,043)	(128,893)
<b>Operating profit</b>	<b>470,150</b>	<b>311,901</b>	<b>181,660</b>	<b>57,542</b>	<b>501,569</b>
Share of profit after tax of associated companies	17,017	17,046	7,818	7,270	18,646
<b>Profit before taxation</b>	<b>487,167</b>	<b>328,947</b>	<b>189,478</b>	<b>64,812</b>	<b>520,215</b>
Taxation	(114,246)	(67,868)	(29,343)	(4,298)	(109,924)
<b>Profit after taxation</b>	<b>372,921</b>	<b>261,079</b>	<b>160,135</b>	<b>60,514</b>	<b>410,291</b>
Amount attributable to participating policyholders	(1,068)	(6,155)	(4,073)	532	(1,142)
<b>Profit for the period</b>	<b>371,853</b>	<b>254,924</b>	<b>156,062</b>	<b>61,046</b>	<b>409,149</b>
Profit attributable to non-controlling interests	(909)	(1,183)	(77)	(660)	(2,540)
<b>Profit attributable to equity holders of the parent</b>	<b>370,944</b>	<b>253,741</b>	<b>155,985</b>	<b>60,386</b>	<b>406,609</b>
<b>Earnings per share</b>					
- Basic	\$1.60	\$1.10			\$1.75

#### SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 9-Months Sep 2018 TT\$'000	Unaudited 9-Months Sep 2017 TT\$'000	Unaudited 3-Months Sep 2018 TT\$'000	Unaudited 3-Months Sep 2017 TT\$'000	Audited 12-Months Dec 2017 TT\$'000
<b>Profit for the period</b>	<b>371,853</b>	<b>254,924</b>	<b>156,062</b>	<b>61,046</b>	<b>409,149</b>
<b>Other comprehensive income/(loss)</b>					
Exchange differences on translating foreign operations	(142,536)	80,324	(54,576)	10,109	153,041
Net (losses)/gains on debt instruments					
at fair value through other comprehensive income	(38,298)	-	6,154	-	-
Gains/(losses) on property revaluation	295	-	295	-	(3,073)
Actuarial losses on post-employment benefits	-	-	-	-	(93,767)
Other reserve movements	(654)	(942)	(115)	(900)	(29,916)
Income tax relating to components of other comprehensive income	(3,281)	-	(7,076)	-	913
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(184,474)</b>	<b>79,382</b>	<b>(55,318)</b>	<b>9,209</b>	<b>27,198</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>187,379</b>	<b>334,306</b>	<b>100,744</b>	<b>70,255</b>	<b>436,347</b>
Comprehensive (income)/loss attributable to non-controlling interests	(908)	(1,014)	29	(686)	(2,224)
<b>Comprehensive income attributable to equity holders of the parent</b>	<b>186,471</b>	<b>333,292</b>	<b>100,773</b>	<b>69,569</b>	<b>434,123</b>

#### Forward Looking Statements

This statement may contain certain forward looking statements, including but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as "expects", "anticipates", "believes", or "estimates", the negative of these terms and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

**CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**

	Unaudited Sep 2018 TT\$'000	Audited Dec 2017 TT\$'000
<b>ASSETS</b>		
Property, plant and equipment	590,285	602,744
Investment properties	1,436,188	1,454,364
Intangible assets	516,954	528,985
Investment in associated companies	232,828	220,844
Investment securities	16,905,805	16,640,755
Investment securities of mutual fund unit holders	1,036,701	1,011,404
Loans and receivables	2,058,129	2,302,980
Properties for development and sale	102,241	103,475
Pension plan assets	85,168	82,957
Deferred tax assets	53,543	40,130
Reinsurance assets	1,558,853	2,211,824
Deferred acquisition costs	110,065	92,615
Taxation recoverable	119,884	163,179
Cash and cash equivalents	1,890,270	2,059,318
Cash and cash equivalents of mutual fund unit holders	204,773	371,062
<b>Total assets</b>	<b>26,901,687</b>	<b>27,886,636</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	1,987,735	1,993,473
Reserves	(488,889)	(395,592)
Retained earnings	1,577,955	1,701,933
<b>Equity attributable to owners of the parent</b>	<b>3,076,801</b>	<b>3,299,814</b>
Non-controlling interests in subsidiary	22,093	23,071
<b>Total equity</b>	<b>3,098,894</b>	<b>3,322,885</b>
<b>Liabilities</b>		
Insurance contracts	17,038,359	17,132,813
Financial liabilities	2,286,926	2,347,739
Investment contract liabilities	1,926,355	1,989,472
Third party interests in mutual funds	983,260	1,177,879
Pension plan liabilities	129,262	130,208
Post-retirement medical benefit obligations	109,116	105,804
Deferred tax liabilities	295,620	273,352
Provision for taxation	49,751	58,026
Reinsurance liabilities	273,195	559,314
Other liabilities	710,949	789,144
<b>Total liabilities</b>	<b>23,802,793</b>	<b>24,563,751</b>
<b>Total equity and liabilities</b>	<b>26,901,687</b>	<b>27,886,636</b>

These consolidated financial statements have been approved for issue by the Board of Directors on November 15, 2018 and signed on its behalf:

Director:  Director: 

**SUMMARY CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY**

	Unaudited Sep 2018 TT\$'000	Unaudited Sep 2017 TT\$'000	Audited Dec 2017 TT\$'000
<b>Balance at beginning of period</b>	3,322,885	3,063,595	3,063,595
IFRS 9 initial application adjustments	(257,553)	-	-
Total comprehensive income	187,379	334,306	436,347
Other movements	5,155	(7,875)	(11,145)
Repurchased vested options	-	(8,919)	(8,919)
Dividends	(158,972)	(157,008)	(156,993)
<b>Balance at end of period</b>	<b>3,098,894</b>	<b>3,224,099</b>	<b>3,322,885</b>

**SUMMARY CONSOLIDATED STATEMENT  
OF CASH FLOWS**

	Unaudited Sep 2018 TT\$'000	Unaudited Sep 2017 TT\$'000	Audited Dec 2017 TT\$'000
Profit before taxation	487,167	328,947	520,215
Adjustment for specific items included on the accruals basis:			
- Finance charges	101,445	96,416	128,893
- Investment income	(676,470)	(643,421)	(890,823)
Interest and dividends received	650,962	636,391	921,334
Adjustments for non-cash items	162,815	(80,993)	(259,320)
Operating profit before changes in operating assets/liabilities	725,919	337,340	420,299
Net (decrease)/increase in insurance liabilities	(231,195)	2,889,630	2,475,337
Net purchases of financial assets	(285,396)	(379,230)	(898,017)
Net purchases of/additions to investment properties	(33,445)	(30,714)	(49,886)
Net movement in other operating assets and liabilities	91,894	(1,370,534)	(1,186,056)
Cash provided by operating activities	267,777	1,446,492	761,677
Interest paid	(109,830)	(110,482)	(138,757)
Net taxation paid	(63,885)	(90,260)	(108,775)
Net cash provided by operating activities	94,062	1,245,750	514,145
Net cash used in investing activities	(41,263)	(33,744)	(77,305)
Net cash (used in)/provided by financing activities	(377,455)	(111,014)	75,321
Net (decrease)/increase in cash and cash equivalents	<b>(324,656)</b>	<b>1,100,992</b>	<b>512,161</b>

**SEGMENT  
INFORMATION**

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset Management TT\$'000	Other including consolidation adjustments TT\$'000	Group TT\$'000
<b>Nine months ended 30 September 2018</b>					
Gross written premiums	2,694,624	1,856,547	-	-	4,551,171
Net written premiums	2,553,232	615,048	-	-	3,168,280
Underwriting revenue	2,555,355	780,032	-	-	3,335,387
Underwriting expenses	(2,369,618)	(468,097)	-	2,086	(2,835,629)
Net income/(loss) from investing activities	716,957	61,928	68,426	(34,619)	812,692
Net income from brokerage activities	-	23,094	-	-	23,094
<b>Net income/(loss) from all activities</b>	<b>902,694</b>	<b>396,957</b>	<b>68,426</b>	<b>(32,533)</b>	<b>1,335,544</b>
Net impairment gains/(losses) on financial assets	(23,988)	5,322	3,188	474	(15,004)
Operating expenses	(415,263)	(233,760)	(37,515)	(62,407)	(748,945)
Finance charges	(1,246)	(5,812)	(872)	(93,515)	(101,445)
<b>Operating profit/(loss)</b>	<b>462,197</b>	<b>162,707</b>	<b>33,227</b>	<b>(187,981)</b>	<b>470,150</b>
<b>Nine months ended 30 September 2017</b>					
Gross written premiums	2,513,204	1,635,612	-	-	4,148,816
Net written premiums	2,361,109	628,803	-	-	2,989,912
Underwriting revenue	2,363,203	774,601	-	-	3,137,804
Underwriting expenses	(2,379,733)	(564,326)	-	2,998	(2,941,061)
Net income/(loss) from investing activities	811,999	76,449	71,069	(70,305)	889,212
Net income from brokerage activities	-	11,590	-	-	11,590
<b>Net income/(loss) from all activities</b>	<b>795,469</b>	<b>298,314</b>	<b>71,069</b>	<b>(67,307)</b>	<b>1,097,545</b>
Operating expenses	(406,399)	(225,275)	(32,890)	(24,664)	(689,228)
Finance charges	(3,288)	(13,680)	(869)	(78,579)	(96,416)
<b>Operating profit/(loss)</b>	<b>385,782</b>	<b>59,359</b>	<b>37,310</b>	<b>(170,550)</b>	<b>311,901</b>
<b>Total Assets</b>					
30 September 2018	20,917,262	4,794,970	1,664,840	(475,385)	26,901,687
31 December 2017	20,491,615	5,681,356	1,777,624	(63,959)	27,886,636

**BASIS OF  
PREPARATION**

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows.

The summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2017 audited financial statements consistently applied from period to period, except for the adoption of new standards that became effective for the Group from 1 January 2018: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 did not have any material impact on the Group's financial reporting and did not require retrospective adjustments. In contrast, IFRS 9 replaced the provisions of IAS 39 Financial Instruments: Recognition and Measurement that related to the recognition, classification, and measurement of financial assets and liabilities, derecognition of financial instruments, and introduced an expected credit loss model for the impairment of financial assets. The adoption of IFRS 9 resulted in changes to the Group's accounting policies, and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The cumulative retrospective impact of applying the new requirements has been reflected in the Group's opening statement of financial position as at 1 January 2018, as disclosed in the Group's published first quarter results to 31 March 2018. The initial application adjustments were further refined for the period.